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City Auditor

## HIGHLIGHTS

Highlights of City Auditor Report #1710, a report to the City Commission and City management

### WHY THIS AUDIT WAS DONE

The primary purpose of our audit was to determine the adequacy of the processes and controls relating to the assessment and collection of various permit and other fees by the Growth Management Department. In addition, our audit included a determination as to the extent revenues generated through Growth Management fees recovered the costs of the Growth Management function.

Revenues and related processes for both the Land Use and Environmental Services Division (LUES) and the Building Inspection Division (Building Inspection), as well as the Administrative Services Division (Administrative Services), were audited. The Code Enforcement Division was, however, excluded from the scope of our audit as that function was transferred to Growth Management within the past year. For those divisions audited, activity during the four-year period fiscal year (FY) 2013 through FY 2016 was reviewed, with an emphasis on activity in FY 2016.

Our specific audit objectives were to: (1) determine the adequacy of controls established to provide reasonable assurance that Growth Management fees were properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account; and (2) determine the extent that Growth Management fees recovered the costs of the Growth Management function.

### WHAT WE CONCLUDED

With regard to our first audit objective, we concluded that, overall, permit and other fees were properly assessed, collected, safeguarded, recorded, and deposited during the period covered by our audit. However, we identified seven issues and opportunities for improvement relating to: (1) an incorrectly calculated permit fee, (2) insufficient documentation justifying permit fee adjustments, (3) an inadequate segregation of employee duties, (4) an inappropriate physical location of a safe, (5) the need for consistency of data in the permitting system (Permits Plus), (6) the need to update and clarify the Growth Management Department Schedule of Permit and Review Fees (Fee Schedule), and (7) the need to document validation of certain fee amounts.

With regard to our second objective, we determined that a formal policy has not been established that provides the portion of costs that is intended to be recovered by permit and other fees.

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May 11, 2017

## Audit of Growth Management Revenues

*Overall, we determined adequate controls are in place to provide reasonable assurance that Growth Management permit and other fees were properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account. We also determined that Growth Management should establish a formal policy that provides the portion of costs that is intended to be recovered by permit and other fees.*

### WHAT WE RECOMMENDED

To enhance and strengthen Growth Management's existing permitting practices: (*Objective 1*)

- We recommend management re-emphasize to staff the importance of entering accurate and correct data into Permits Plus (and any subsequent replacement permitting systems) for the purpose of ensuring accurate and correct fee determinations.
- We recommend actions be taken to ensure justification for fee adjustments is properly documented in the permitting system.
- We recommend appropriate controls be implemented to remove or mitigate the risk resulting from the ability of certain supervisors to perform incompatible duties.
- We recommend the safe used to temporarily safeguard building permit collections be relocated to a more secure location. (*Based on our recommendation the safe was moved to a more secure place.*)
- To resolve inconsistencies as to how permit completion status is recorded in the permitting system, we recommend management standardize the terminology used to document permit status.
- To facilitate the calculation or estimation of fees by customers (potential permit applicants), we recommend that management make the Fee Schedule more user-friendly.
- We recommend a standardized method be developed for Growth Management building inspectors to document their work performed to validate the accuracy and/or reasonableness of estimates used in calculating permit fees.

To ensure fees recover the appropriate portion of costs of the Growth Management function: (*Objective 2*)

- We recommend City management establish a formal policy that provides the portion of costs that is intended to be recovered by both Building Inspection and LUES permit and other fees. Upon development of such a policy, rate studies should be conducted as needed to ensure fees are adequate to meet the policy targets and goals.

We wish to acknowledge and thank the management and staff of the Growth Management Department for their cooperation and assistance during this audit.

# Audit of Growth Management Revenues



Report #1710

May 11, 2017



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# *Audit of Growth Management Revenues*



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Report #1710

May 11, 2017

## *Executive Summary*

*Overall, we determined adequate controls are in place to provide reasonable assurance that Growth Management permit and other fees are properly assessed, collected, safeguarded, recorded, and deposited.*

*Growth Management should establish a formal policy that provides the portion of costs that is intended to be recovered by permit and other fees.*

*Overall, we determined adequate controls are in place to provide reasonable assurance that Growth Management permit and other fees are properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account. Our audit tests confirmed that, for the most part, those controls were operating properly and effectively. Regarding the fee revenues and related controls, several opportunities for improvement were identified for which recommendations were made. As part of our audit, we also determined that Growth Management should establish a formal policy that provides the portion of costs that is intended to be recovered by permit and other fees. In establishing that policy, fairness to and affordability by customers (developers, contractors, and property owners), as well as the need for appropriate operating reserves, should be considered. Upon development of such a policy, rate studies should be conducted as needed to ensure fees are adequate to meet the policy targets and goals.*

The objectives of our audit were to: (1) determine the adequacy of controls established to provide reasonable assurance that Growth Management fees were properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account; and (2) determine the extent that Growth Management fees recovered the costs of the Growth Management function.

To achieve those objectives we audited the revenues and related processes for the Land Use and Environmental Services Division (LUES) and the Building Inspection Division (Building Inspection), as well as the Administrative Services Division (Administrative Services). The Code Enforcement Division, which was recently transferred to the

Growth Management Department, was excluded from the scope of our audit. For those divisions audited, activity during the four-year period fiscal year (FY) 2013 through FY 2016 was reviewed, with an emphasis on activity in FY 2016.

*Growth Management requires the use of online permitting processes for many permit types, which reduces data entry errors by staff.*

**Objective #1:** In regard to our first audit objective, we concluded that, overall, Growth Management permit and other fees were properly assessed, collected, safeguarded, recorded, and deposited during the period covered by our audit; and that the related controls were generally adequate. Specific controls in place that provided the desired assurances included:

- Use of online permitting processes for many permit types, which reduces data entry errors by Growth Management staff.
- Automated system calculation of many permit fees, thereby reducing the risk of mathematical errors for the applicable permits.
- Supervisory and staff verifications of the completeness, accuracy, and correctness of information recorded into the permitting system based on supporting documentation submitted by applicants.
- Reviews by Plans Examiners, Planners, and Engineers to ensure the accuracy and reasonableness of permit types and attribute information as a means to ensure the correct fee was determined.
- On-site observations and reviews by Inspectors to further verify the accuracy and correctness of attribute information on which fees are based.
- Required reviews and approvals of fee adjustments (waivers and reductions) by designated supervisory staff.
- For certain permits, requiring applicants paying by cash and check to make their payments directly to the City's Revenue Office.
- Use of multiple procedures to ensure cash and checks received as payment in Building Inspection are properly processed, secured, and transferred to the City's Revenue Office; including, but not limited to, securing collections in a safe, timely transfers of collections for deposit, and reconciliations of collections to fees recorded in the permitting system.

*Plans Examiners, Planners, and Engineers review the accuracy and reasonableness of information recorded into the permitting system as a means to ensure the correct fee was determined.*

*For certain permits, applicants paying by cash and check are required to make their payments directly to the City's Revenue Office.*

*Reconciliations of fees recorded in the permitting system to amounts recorded in the City's accounting system provide a means to verify those fees were properly recorded and deposited.*

*Seven issues and opportunities for improvement were identified.*

*We recommended alternative controls to remove or mitigate the risk that supervisory staff could circumvent controls established to ensure collections were properly processed and deposited.*

- Limiting access to cash and checks to authorized staff.
- Use of custodial receipts to document transfers of collections.
- Reconciliations, by staff independent of the collection process, of fees recorded in the permitting system to the amounts recorded in the City's accounting system as a means to verify those fees were properly recorded and deposited into the City's bank account.

We identified seven issues and opportunities for improvement in regard to assessing, processing, and depositing permit and other fees. Those issues and opportunities and our related recommendations included:

- While the fees for 102 of 103 (99%) tested permits were correctly calculated, the fee for one permit was incorrectly calculated, resulting in an overcharge of \$7,404 to the applicant. Management should refund the overcharge to the applicable customer and emphasize to staff the importance of recording accurate attribute information in the permitting system.
- While all tested fee adjustments were justified, we noted two instances where support for the related adjustments was not documented in the permitting system. We recommend actions be taken to ensure support for each fee adjustment is properly documented in the permitting system.
- Regarding cash and checks collected for certain building permits, two supervisory staff performing incompatible duties had the ability to circumvent controls established to ensure collections were properly processed and deposited. We recommend alternative controls be implemented to remove or mitigate that risk.
- The safe used to temporarily secure building permit collections was not placed in an appropriate location. Based on our recommendation the safe was moved to a more secure place.
- There were inconsistencies as to how permit completion status was recorded in the permitting system, making it more difficult for management and staff to efficiently manage permits and related applicant activity. In response to our recommendation, management



*Management was responsive to our recommendation to make the Growth Management fee schedule more user-friendly.*

intends to standardize the terminology used to document permit status.

- Some ambiguity and lack of clarity within the Growth Management online fee schedule makes it difficult for customers (potential applicants) to use the City's website to calculate or estimate certain permit fees. Management was responsive to our recommendation to make the fee schedule more user-friendly.
- There was no standard method in place for Growth Management building inspectors to document their validation of the accuracy of estimates included on related permit applications. We recommend a standardized method be developed for those inspectors to document their work performed to validate the accuracy and/or reasonableness of estimates used in calculating permit fees.

*The City has no formal policy that establishes the department's goal and intent as to cost recovery for the Building Inspection and LUES Divisions.*

**Objective #2:** In regard to our second audit objective, we determined the City has no formal policy that establishes the department's goal and intent as to cost recovery for the Building Inspection and LUES Divisions. For the four-year period covered by our audit, our analyses showed building permit and related fees were adequate to recover the cost of the Building Inspection Division, and to also provide for: (1) repayment to the City's Deficiency Fund for previous loans made to the Building Inspection Fund during the economic downturn that occurred during the Great Recession, and (2) an operating reserve. For LUES, our analyses showed that permit and related fees recovered from 33% to 40% of related costs for the four-year period covered by our audit. We recommend City management establish a formal policy that provides the portion of costs that is intended to be recovered by both Building Inspection and LUES permit and other fees. In establishing that policy, fairness to and affordability by customers (developers, contractors, and property owners), as well as the need for appropriate operating reserves, should be considered. Upon development of such a policy, rate studies should be conducted as needed to ensure fees are adequate to meet the policy targets and goals.

We would like to acknowledge and thank staff and management of the Growth Management department for their cooperation and assistance during the audit process.

# *Audit of Growth Management Revenues*



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City Auditor

**Report #1710**

**May 11, 2017**

## ***Scope, Objectives, and Methodology***

*The primary purpose of our audit was to determine the adequacy of the processes and controls relating to the assessment and collection of various permit and other fees by the Growth Management Department.*

*We also determined the extent to which Growth Management fees recovered related costs.*

The primary purpose of our audit was to determine the adequacy of the processes and controls relating to the assessment and collection of various permit and other fees by the Growth Management Department (Growth Management). In addition, our audit included a determination as to the extent revenues generated through Growth Management fees recovered the costs of the Growth Management function.

Revenues and related processes for both the Land Use and Environmental Services Division (LUES) and the Building Inspection Division (Building Inspection), as well as the Administrative Services Division (Administrative Services), were audited. The Code Enforcement Division was, however, excluded from the scope of our audit as that function was transferred to Growth Management within the past year. For those divisions audited, activity during the four-year period fiscal year (FY) 2013 through FY 2016 was reviewed, with an emphasis on activity in FY 2016.

Our specific audit objectives were to:

- Determine the adequacy of controls established to provide reasonable assurance that Growth Management fees were properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account.
- Determine the extent that Growth Management fees recovered the costs of the Growth Management function.

To satisfy these objectives, we performed various audit procedures. In regard to our first audit objective, those procedures included, but were not limited to:

*Activity during the four-year period FY 2013 through FY 2016 was reviewed.*

- Identifying and reviewing Growth Management’s internal policies and procedures governing the permitting process.
- Identifying and reviewing City policies and procedures addressing internal controls over fee collection (revenue) activities, to include the City of Tallahassee Policy on Revenue Collections and City Administrative Policy and Procedure No. 630, Internal Control Guidelines.
- Identifying and reviewing applicable development and building codes, including the Tallahassee Land Development Code and the Florida Building Code.
- Researching practices implemented by other municipalities in regard to assessing and calculating fees for the growth management (permitting) function.
- Obtaining and reviewing the Growth Management Fee Schedule.
- Interviewing management and staff within Growth Management to obtain an understanding of the permitting and related fee assessment and collection processes, as well as the systems used to track permits and project plan reviews.
- Observing applicable fee collection processes for the purpose of determining if adequate controls were in place.
- Conducting tests to determine if fees were properly assessed, calculated, collected, processed, and deposited; as well as tests to determine if controls relative to the revenue process were operating properly and effectively. These tests included:
  - Verifying whether permit and fee information recorded within the permit tracking system (Permits Plus) was accurate and substantiated based on our review of supporting project documentation. This procedure included verifying fee types were correct based on the applicable activity and verifying variables (e.g., number of electrical

*Various audit procedures were performed, to include observing fee collection processes and conducting tests of internal controls over permit processing.*

outlets, plumbing fixtures, square feet, etc.) that impacted the fee amounts were correctly identified and recorded in Permits Plus.

*Additional audit procedures included manually recalculating permit fees, verifying permit fees were paid prior to permit issuance, and verifying revenue collections were timely deposited.*

- Manually recalculating fees based on supporting project documentation to verify the system (Permits Plus) properly populated and determined fees in accordance with the Growth Management Schedule of Permit and Review Fees (Fee Schedule).
- Verifying that fee adjustments (waivers or reductions) were authorized, valid, and supported by appropriate documentation.
- Verifying customers (e.g., developers, contractors, and homeowners) made required payments prior to issuance of permits.
- Reviewing documentation (e.g., receipts and system-generated correspondence) to determine customer payments were properly recorded in Permits Plus.
- Reviewing applicable documentation to ensure collections were timely deposited into the City's bank account.
- Verifying that a Planner, Engineer, or Plans Examiner (as appropriate for the permit type) reviewed applicable documentation to ensure information and fees recorded in Permits Plus were correct.
- Reviewing Permits Plus and other documentation to ensure required final inspections of the permitted work were performed by Growth Management Inspectors.

In regard to our second audit objective, procedures performed included, but were not limited to:

*In regard to our second audit objective, procedures performed included obtaining and analyzing Growth Management financial information to determine the extent fees recovered the costs of the applicable Growth Management functions.*

- Obtaining and reviewing prior rate studies to obtain an understanding of the past methodology used by management to analyze Growth Management’s fee structure and to identify and determine the expenses intended to be recovered through fee revenues.
- Obtaining and analyzing Growth Management financial information to determine the extent fees recovered the costs of the applicable Growth Management functions.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

## ***Background***

*The City established the Tallahassee, Florida Land Development Code to promote the public’s health, safety, comfort, convenience, and general welfare.*

### **Land Development Code**

One goal of government is the promotion of public health, safety, comfort, convenience, and general welfare. The City established the Tallahassee, Florida Land Development Code (Code) which provides the minimum requirements to accomplish those goals as they relate to development within the City. In practice, the enforcement of the Code is divided into two broad areas, land use and building regulations.

The area of the Code relating to land use provides requirements for areas including, but not limited to:

- Concurrency Management – These provisions are intended to ensure new development does not exceed the capacity of the City’s infrastructure (e.g., storm water, parks, solid waste, water, sewer, and mass transit) to support the new development.

- Site Plan and Zoning – These provisions are intended to ensure developments are designed such that they do not negatively impact citizens’ quality of life or property values.
- Environmental Management – These provisions are intended to protect and preserve natural resources.
- Flood Damage Protection – These provisions are intended to minimize public and private losses resulting from flood conditions.

*The Code establishes regulations related to land development and building construction.*

The area of the Code relating to building regulations incorporates the Florida Building Code as developed and maintained by the Florida Building Commission. The Code’s building regulations establish standards for commercial and residential new construction and alterations; as well as related electrical, plumbing, gas, and mechanical (e.g., heating and air-conditioning) work.

### **Department Purpose and Organization**

*The Growth Management Department is responsible for enforcing the City’s land development and building codes.*

The Growth Management Department (Growth Management) is the land development regulatory agency of the City of Tallahassee. The department is primarily responsible for enforcing the City’s land development (use) and building codes and meets that responsibility through site and building plan reviews and the permitting and inspection processes. In addition, the department assists with implementation of the City’s internal environmental and land development activities.

*The Growth Management Department consists of several divisions including the Land Use and Environmental Services and Building Inspection Divisions.*

Growth Management consists of several divisions which are responsible for ensuring compliance with the land development and construction (building) sections of the Code. Prior to FY 2017, Growth Management was comprised of three divisions which included the Land Use and Environmental Services Division (LUES), the Building Inspection Division (Building Inspection), and the Administrative Services Division (Administrative Services). In an effort to increase efficiencies and effectiveness, a citywide restructuring resulted in organizational changes for Growth Management for FY 2017. As part of the reorganization, the City’s Code Enforcement function was absorbed by Growth Management

as a fourth division to align similar functions and to reduce redundancies. The following provides an overview of each of the four Growth Management divisions.

*Administrative Services is primarily focused on administration, records management, and e-Government Services.*

**Administrative Services** - This division has three primary areas of focus including administration, records management, and e-Government services. The Administrative section oversees the departmental budget, timekeeping, personnel, and fiscal activities. The Records Management section performs custodial duties for the department's records, including fulfilling public records requests. This section also electronically records customers' Growth Management documents with the Leon County Clerk of Court's Office. The e-Government section is mainly responsible for the development and configuration of multiple applications used in the department's information technology initiatives.

*LUES is responsible for ensuring proposed new development is in accordance with the land development portions of the Code.*

**LUES** – This division is responsible for ensuring that proposed new developments meet concurrency requirements (i.e., adequate infrastructure capacity in public utilities and transit facilities will exist to serve the project). LUES is also responsible for issuing environmental permits; enforcing the zoning, site plan, subdivision, and environmental management codes; and administering the storm water operating permit and environmentally-sensitive lands mapping programs.

*Building Inspection is charged with ensuring planned and completed construction is in compliance with the Code.*

**Building Inspection** – This division is charged with ensuring that planned and completed construction is in compliance with the Code. This division issues certificates of occupancy, administers contractor licensing regulations, issues building and trade (sub) permits, and authorizes utility connections.

**Code Enforcement** – This division is responsible for enforcing the City's municipal codes (e.g., derelict/inoperable vehicles, minimum housing standards, and yard maintenance standards), reviewing cases involving violations of building and zoning codes, ordering compliance with codes, and assessing penalties for non-compliance when necessary.

## Property Development Process

*The Growth Management permitting process for property development is extensive and necessitates many layers of reviews and approvals.*

The development of property within the City is required to be done in accordance with the Code. Growth Management enforces the Code through plan reviews, permit issuances, and site inspections. To help ensure compliance with the Code, the Growth Management permitting process for property development (from site selection to building construction) is extensive and necessitates many layers of reviews and approvals. To proceed with a land development and/or a building project, a developer (e.g., contractor or owner-builder) must first submit an application for a particular approval or permit. The type of approval or permit varies depending on the nature and complexity of the project. Projects can be broadly classified as land development, building construction, or both. LUES, which is chiefly concerned with concurrency and environmental impacts, approves all aspects of projects related to the land development portion of the Code. LUES issues project approvals in the form of certificates, determinations, approvals, or permits. Building Inspection, on the other hand, is primarily concerned with the portion of the Code related to building construction and issues project approvals in the form of permits. (*Auditor Note: For consistency, henceforth we will refer to all approval types generically as “permits” throughout this report.*)

*The issuance of a permit serves as representation that Growth Management has reviewed and approved the project as planned.*

Prior to permit issuance, a formal and comprehensive review of project permit applications and plans is conducted by a reviewer. LUES reviewers are “Planners” and “Engineers” whereas Building Inspection reviewers are “Plans Examiners.” The issuance of a permit serves as representation that Growth Management has reviewed and approved the project as planned. Subsequent reviews and site inspections by Growth Management are conducted to verify the related project work is performed in accordance with the Code, including verifying constructed buildings are structurally sound with properly installed and functioning systems (electrical, plumbing, gas, mechanical, etc.).

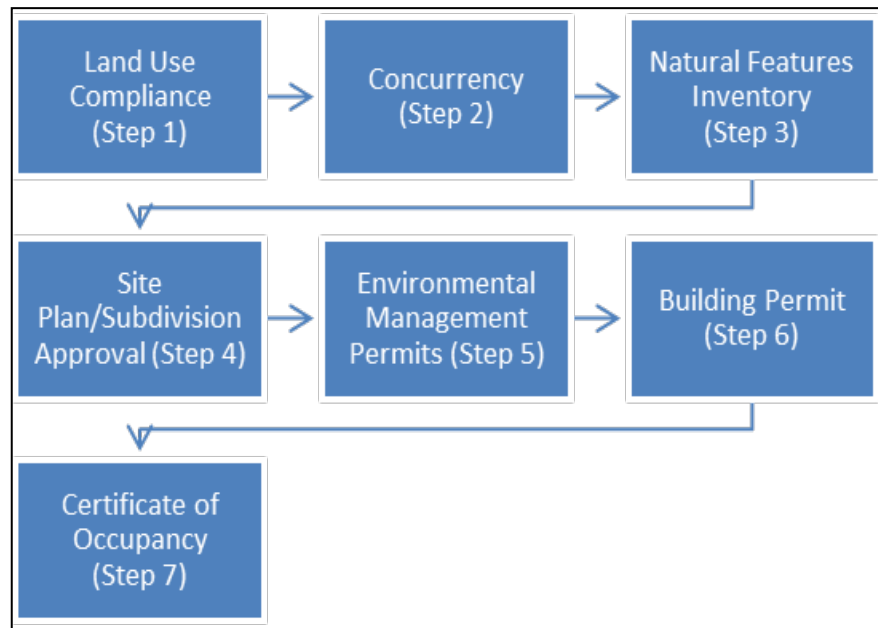
*Projects may involve land development, building construction, or both.*

As previously indicated, projects may involve land development, building construction, or both. However, for illustrative purposes,



the following flowchart and associated narrative descriptions illustrate the basic steps that must be taken to complete a property development that starts with the conversion of undeveloped (raw) land into construction-ready residential, commercial, or industrial building sites, and ends with the completed construction of buildings and a certificate of occupancy.

**Illustration 1**  
**Property Development Process**



*The LUCC provides details as to the purpose, location, and scope of the project and also specifies which subsequent reviews and approvals must be obtained from LUES for final approval of the project.*

**LUES Permitting** - The first step (**Step 1**) in the land development process is for an applicant (developer) to apply for a Land Use Compliance Certificate (LUCC). In order for a LUCC to be issued, LUES must make a determination as to whether the project, at the proposed location, is an allowable use under the terms of the Code and other applicable standards. If the proposed land use is approved by LUES, a LUCC is issued to the applicant. The LUCC provides details as to the purpose, location, and scope of the project and also specifies which subsequent reviews and approvals must be obtained from LUES for final approval of the project (project workflow).

*A concurrency review determines whether there is adequate capacity in the public infrastructure to accommodate the impact of a new development.*

*A Natural Features Inventory is required for any development site that contains regulated environmental features.*

*LUES reviews site plans submitted by the permit applicants and approves the site plans provided applicable criteria of the Code and other regulations and ordinances have been met.*

For the second step (**Step 2**) of many projects, an applicant must also apply for a concurrency determination. As previously described, a concurrency review determines whether there is adequate capacity in the public facilities (e.g., street, water, sewer, solid waste, transit, storm water ponds, parks) to accommodate the impact of a new development. All proposed developments, unless exempted, are required to undergo a concurrency review. When LUES determines the project meets concurrency, a portion of the City's available infrastructure capacity is reserved for the project and a Concurrency Certificate is issued. When applicable, a Concurrency Certificate must be obtained before a project will be further considered for development.

In an effort to preserve the natural environment, a Natural Features Inventory (NFI) (**Step 3**) is required for any development site that contains regulated environmental features, such as floodplains, wetlands, canopy road corridors, watercourses, sinkholes, or habitats of endangered or threatened species. The NFI, which identifies all significant existing environmental features, is prepared by the applicant and confirmed by LUES. The NFI is used by LUES to verify the planned development will not negatively impact the regulated features. If a site does not contain regulated environmental features, an applicant may request an inspection and NFI waiver.

In general, site plan approval (**Step 4**) is required for larger-scale commercial and residential projects, such as those greater than 2,500 square feet. Site plan approval is not required for smaller-scale commercial and residential projects such as single-family houses, duplexes, and triplexes. A site plan is a schematic that shows the boundaries of a parcel of land, the topography, and important landscape elements that impact design and placement of anticipated major improvements (e.g., buildings, roads, driveways, storm and sanitary sewer lines, and utility connections). LUES reviews and approves site plans submitted by the applicant provided applicable criteria of the Code and other regulations and ordinances have been met. If a project involves the subdivision of property in

*An environmental management permit application consists of three components including storm water, landscaping, and tree removal.*

*A building permit is required for all residential or commercial new construction, as well as additions, alterations, or repairs of existing structures with an estimated cost of labor and materials greater than \$1,000.*

which individual lots may be sold, subdivision approval is also required.

An environmental management permit application (**Step 5**) consists of three components including storm water, landscaping, and tree removal. To apply for an environmental management permit, an applicant typically submits details of storm water systems and landscape plans, including plans to remove and/or protect trees on the site and prevent erosion during construction. LUES reviews the applicant's submission and, if approved, issues an environmental management permit which allows site work to begin.

***Building Inspection Permitting*** - Before building construction can begin on a site, an applicant (typically a Florida-licensed contractor or qualified owner-builder) must apply for a building permit (**Step 6**). A building permit is required for all residential or commercial new construction, as well as additions, alterations, or repairs of existing structures with an estimated cost of labor and materials greater than \$1,000. A building permit is also required for certain structural improvements (e.g., roof, window, or door replacements). To obtain a building permit, an applicant must submit detailed building plans to Building Inspection. The building plans should include adequate detail to allow for a review of structural (roofing), electrical, plumbing, gas, and mechanical systems since separate sub permits are required for those systems. When the applicant's submission is approved, Building Inspection issues the applicable building and sub permits which authorize the applicant to proceed with the work. Growth Management Inspectors subsequently conduct on-site inspections for each major phase of construction (e.g., footing, slab, framing, and insulation) to ensure structures are built in conformance with the approved plans and the Code. Upon determination that conformance was achieved, Building Inspection will issue the applicant a Certificate of Occupancy (**Step 7**) which certifies the building is suitable for occupancy and is in compliance with the Code.

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## Permit Process

*There is a basic permitting process that is followed for most projects involving both land development and building construction.*

*Growth Management staff conduct periodic site inspections during and at the end of development and construction activities to ensure the approved plans and Code were followed.*

*Currently, customers complete and submit their permit applications either manually or online using the City's online permitting portal.*

While there are numerous permit types due to the large variety of development and construction projects, there is a basic permitting process that is followed in most circumstances. The process begins when the customer (developer, contractor, qualified property owner) completes and submits an application for the necessary permit. Appropriate Growth Management staff then review the application and supporting documentation to determine whether the planned development or construction complies with the Code and other applicable regulations. If the reviewer determines the plans conform (comply), a permit is issued and the customer is authorized to commence the development/construction activities. Growth Management staff conduct periodic site inspections during and at the end of the development and construction activities to ensure the approved plans and Code were followed. If the development/construction passes the inspections, the permit is closed and the customer is issued a Certificate of Occupancy. Additional information on this process is provided in the following paragraphs.

***Permit Application*** – Currently, customers complete and submit their permit applications either manually or online using the City's online permitting portal. Based on an initiative started in July 2014, Growth Management plans to provide customers the ability to apply for most permits through the online permitting portal by June 2017.

To begin an online application, a customer accesses and logs into the system and furnishes customer contact information and various project data, such as parcel number, square feet, and development description and type. Upon completion of that step, the customer receives an email inviting them to create a secure online account within the Growth Management project application, "ProjectDox." Customers upload their project documentation, site and building plans, into ProjectDox. Growth Management Planners, Engineers, and Plans Examiners evaluate and approve (or disapprove) the applications and supporting documents within the system. The customers are provided feedback during the evaluation process

*Tracking and monitoring the status of applications and permits is critical to Growth Management's mission and the ability to provide good customer service.*

through ProjectDox email communications. Such communications include project approvals and requests for additional documentation.

**Permit Tracking** – Tracking and monitoring the status of applications and permits is critical to Growth Management's mission and the ability to provide good customer service. Currently, Growth Management utilizes a system known as Permits Plus (also known as the Permits and Enforcement Tracking System, or PETS) to track projects and related permits and to manage the related workflow, including plan reviews and inspections.

Permits Plus is also used to record applicable project attributes. Specifically, attribute information is obtained from manual applications by Permit Technicians (LUES) and Permit Service Center Coordinators (Building Inspection) and entered into the designated fields within Permits Plus. For online applications, the attribute information is automatically transferred into Permits Plus through system interfaces. For LUES permits, examples of attribute information include square footage (e.g., disturbed or impervious property), number of acres, and number of trees. For Building Inspection permits, examples of attribute information are the type of development (new construction, addition, alteration, etc.), building class (residential, triplex, hotel, industrial, etc.), square footage of building, or estimated project value.

*Permits Plus has been used by Growth Management for two decades and is considered outdated by City management. A new system, CityWorks, is being phased in as a replacement for Permits Plus.*

While still functional, Permits Plus has been used by Growth Management for two decades and is considered outdated by City management. Accordingly, a new system, CityWorks, is being phased in as a replacement for Permits Plus. Full implementation of CityWorks is scheduled for June 2017, in conjunction with the full implementation of the online permitting portal discussed previously. Management anticipates that CityWorks will enhance project workflow management and thus enhance the permit application review process. Additionally, as CityWorks is an enterprise effort (i.e., will be used by multiple City departments), it should enhance Growth Management's ability to coordinate the permitting process with other City departments when appropriate.

Furthermore, because CityWorks will interface with the City's payment processing system (IPay), its implementation will provide customers additional payment alternatives. For example, walk-in customers will be allowed to pay using debit or credit cards under the new system.

*Approximately 200 different fees are assessed and collected based on activities of the LUES, Building Inspection, and Administrative Services Divisions.*

**Permit Fees** – Numerous fees are assessed and collected by Growth Management in connection with its permitting and related activities. Specifically, the *Growth Management Department Schedule of Permit and Review Fees* (Fee Schedule) includes approximately 200 different fees assessed and collected based on activities of the LUES, Building Inspection, and Administrative Services Divisions. As explained below, fees are based on project attributes and permit type.

*Examples of common LUES fees are concurrency, site plan, storm water, and environmental permit fees.*

LUES permit fees are generally based on attribute information as described previously (e.g., disturbed or impervious property, number of acres, and number of trees). Fixed fees are also applicable to certain LUES permits. Examples of common LUES fees are concurrency, site plan, storm water, and environmental permit fees.

*The most common Building Inspection fees are for building permits and sub (trade) permits.*

Similarly, Building Inspection fees are based on attribute information. For example, permit fees for residential and commercial new development are based on square footage, while fees for residential and commercial alterations, remodels, and repairs are based on project valuation. Other Building Inspection fees for trade work (e.g., mechanical, electrical, plumbing, gas, or roofing) are based on a variety of things such as square footage, unit counts (e.g., number of plumbing fixtures or electrical outlets), project valuation, or hours of staff review time. Fixed fees are also applicable to certain Building Inspection permits. The most common Building Inspection fees are for building permits and sub permits.

*Permits Plus is programmed to automatically calculate the majority of applicable fees based on the project attributes, permit type, and the established Fee Schedule.*

Permits Plus is programmed to automatically calculate the majority of applicable fees based on the recorded attributes, permit type, and the established Fee Schedule. Remaining fees are manually calculated by appropriate Growth Management staff (e.g., using

Excel worksheets). The assessment and payment of those fees is also recorded in Permits Plus.

Fire permit fees, which are not considered Growth Management permit fees, are included on the Fee Schedule because Building Inspection collects these fees on behalf of the Fire Department. Common fire fees are for fire alarm systems, fire suppression systems, and fireworks vendor permits.

*Administrative Services assesses transaction fees for notary services and electronic filing, or “e-recording,” of Growth Management documents with the Leon County Clerk of Courts.*

Administrative Services assesses transaction fees for notary services and electronic filing, or “e-recording,” of Growth Management documents with the Leon County Clerk of Courts. Administrative Services utilizes a web-based system called Simplifile to render documents (primarily Notices of Commencement) into a digital format which is securely transmitted to the Clerk of Courts. In addition to Administrative Services e-recording fees, Growth Management also assesses customers Simplifile and Clerk of Court transaction fees.

## **Fee Payment and Collection**

*LUES permit applications are submitted either online or manually (in-person), depending on the permit type.*

Fees for Growth Management permits and activities are paid by customers and collected by the City in multiple ways. The particular payment options vary by division and permit category and are explained in the following paragraphs.

*Generally, all fees associated with a particular LUES permit must be paid at the time of application.*

**LUES** - As previously described, LUES permit applications are submitted either online or manually (in-person), depending on the permit type. Currently, certain LUES applications, however, may only be submitted online through the online permitting portal. For example, land use compliance, site plan, and concurrency applications must be submitted online, while environmental management permit applications must be submitted manually. Generally, all fees associated with a particular LUES permit must be paid at the time of application. LUES collects those permit fees in two ways. For applications submitted manually, customers must make cash or check payments at the City’s Office of the Treasurer-Clerk’s Revenue Office (Revenue Office). The Revenue Office is located in the same building as Growth Management. Conversely,

for applications submitted online, customers make Automated Clearing House (ACH) payments, where funds are electronically transferred from the customer's bank account to the City's bank account.

*Customers apply for Building Inspection permits manually, online, or by facsimile.*

**Building Inspection** - In general, customers apply for Building Inspection permits manually, online, or by facsimile (fax). Under the current process, customers must apply online for commercial building permits valued at \$25,000 or more through the online permitting portal and must apply manually for residential building permits. For sub permits (mechanical, plumbing, electrical, roofing, and gas permits), applications may be submitted manually, online, or by fax. Online applications for sub permits are not submitted through the online permitting portal; rather, these applications are submitted through the City's Velocity Hall website. (Velocity Hall operates similar to and serves the same purpose as the online permitting portal but is used exclusively by Building Inspection for sub permits.) Contractors who choose to obtain a sub permit by fax may do so provided they have a trust account established with Building Inspection with sufficient funds deposited to pay for the permit. Those trust accounts were established to allow contractors to pre-deposit funds which can be used to subsequently satisfy (pay) permit fees when needed.

*Building Inspection requires full payment for most permits at the time of application.*

Similar to LUES, Building Inspection requires full payment for most permits at the time of application. However, for commercial permits that require plan review, Building Inspection allows customers to pay the application fee plus one half of the estimated plan review fee at the time application is made, with the remaining balance due for payment prior to issuance of the permit.

Payment options provided by Growth Management for Building Inspection permits and activities vary depending on the customer's method of application. For manually submitted applications, Building Inspection allows the customers to pay by cash or check, or to pay by a deduction (transfer) of funds from their established trust account. Unlike LUES which requires payment by cash and checks to be remitted directly by customers to the City Revenue



Office, Building Inspection accepts the cash and checks within the Building Inspection Division. For applications submitted through the online permitting portal, Building Inspection customers make ACH payments in the same manner as is done by LUES customers applying through that portal. For sub permit applications made through the Velocity Hall website, Building Inspection customers are required to make payment using credit cards.

*Administrative Services assesses transaction fees for notary services and e-recording of Growth Management documents with the Leon County Clerk of Courts.*

**Administrative Services** - As previously described, Administrative Services assesses transaction fees for notary services and e-recording of Growth Management documents with the Leon County Clerk of Courts. Customer requests for these services must be made in person at the Administrative Services office. However, payment for those notary and e-recording services is not accepted by Administrative Services; instead, customers must render their payments directly to the City Revenue Office.

***Audit Results,  
Issues, and  
Recommendations:  
Revenues and  
Related Controls  
(Audit Objective 1)***

*We tested a total of 103 permits and services issued and provided by LUES, Building Inspection, and Administrative Services with a valuation of nearly \$1.3 million.*

Our audit consisted of a review and evaluation of the processes and controls relating to the assessment and collection of various permit and other fees by Growth Management. We performed various audit procedures to meet our stated audit objective, which included determining the adequacy of controls established to provide reasonable assurance that Growth Management fees were properly assessed, collected, safeguarded, recorded, and deposited in the City’s bank account.

Our audit procedures included testing a judgmental sample of 103 permits and services issued and provided by LUES, Building Inspection, and Administrative Services. The value of the sampled permits and services approximated \$1.3 million, and pertained to a variety of projects including single-family and multi-family residences, student housing, a medical facility, restaurants, landscaping projects, road resurfacing, and retail store developments, as well as e-recording fees.

*We concluded that, overall, permit and other fees were properly assessed, collected, safeguarded, recorded, and deposited during the period covered by our audit; and that the related controls were generally adequate.*

*The calculation of many permit fees by Permits Plus is automated, thereby reducing the risk of mathematical errors for those permits.*

*The LUES Administrator reviews and approves the final fee calculations of redevelopment projects.*

We concluded that, overall, permit and other fees were properly assessed, collected, safeguarded, recorded, and deposited during the period covered by our audit; and that the related controls were generally adequate. Specific controls in place that provided the desired assurances included:

- Use of online permitting processes for many permit types, which reduces data entry errors by Growth Management staff.
- Automated calculation of many permit fees by Permits Plus, thereby reducing the risk of mathematical errors for those permits.
- Supervisory staff in the Applicant Services Office (Applicant Services) within Building Inspection verify the completeness, accuracy, and correctness of information recorded in Permits Plus based on supporting documentation submitted by the applicants.
- Appropriate staff within the LUES Division verify the completeness, accuracy, and correctness of information recorded in Permits Plus based on supporting documentation submitted by the applicants.
- Plans Examiners within Building Inspection and Planners and Engineers within LUES review supporting documentation (project blueprints, site plans, etc.) to ensure the correct permit type and attribute information is recorded in Permits Plus to further ensure the correct fee was determined. Within LUES, a quality control review of the initial review is conducted by a second Planner or Engineer.
- The LUES Administrator reviews and approves the final fee calculations of redevelopment projects, for which the fee calculations are more complex than for other project types.
- Reviewers/Inspectors within Building Inspection and LUES verify that attributes reported in Permits Plus are valid and correct based on their on-site observations and inspections.

*Multiple procedures are in place to ensure cash and checks received as payment for fees in Building Inspection are properly processed, secured, and transferred to the City's Revenue Office.*

*Staff in Administrative Services, LUES, and Building Inspection, that are independent of the collection process, perform reconciliations of revenue collections recorded in Permits Plus to the City's PeopleSoft Financials system to ensure those collections were properly deposited into the City's bank account.*

- Fee adjustments (waivers and reductions) for all permits and services must be reviewed and approved by designated supervisory staff.
- Cash and checks are not accepted as payment for fees within the LUES or Administrative Divisions; instead, customers paying by cash or check are directed to the City's Revenue Office to make their payments.
- Multiple procedures are in place to ensure cash and checks received as payment for fees in Building Inspection are properly processed, secured, and transferred to the City's Revenue Office. Those procedures include securing collections in a safe, immediately transferring collections exceeding a pre-established threshold to the City's Revenue Office, requiring payment in exact amounts, requiring a second employee to verify amounts collected, and reconciling daily cash and check collections to amounts recorded in Permits Plus. (These controls are further addressed on pages 24 through 27 in relation to Report Issue #3.)
- Access to cash and checks collected in Building Inspection is limited to authorized staff.
- Daily cash and check collections of Building Inspection are accumulated and transferred to the City's Revenue Office on the morning of the following workday. Custodial receipts are used to document those transfers of custody.
- Staff in Administrative Services, LUES, and Building Inspection, that are independent of the collection process, perform reconciliations of revenue collections recorded in Permits Plus to the City's PeopleSoft Financials system to ensure those collections were properly deposited into the City's bank account.

However, we identified seven issues and opportunities for improvement relating to an incorrectly calculated permit fee, documentation justifying permit fee adjustments, an inadequate segregation of duties, the physical location of a safe, the need for consistency of data in Permits Plus, the need for updating and

increased clarity of the Growth Management Department Schedule of Permit and Review Fees, and validation of fee amounts. Each of those issues and areas for improvement are discussed in detail in the following sections of this report.

**Report Issue #1 – Incorrect Building Inspection Permit Fee**

**Calculation:** Our audit tests showed that permit fees were generally properly and accurately calculated and charged to Growth Management customers. Specifically, 102 of 103 (99%) tested permit fee determinations were correct and accurate. In only one instance did our tests show that a fee was incorrectly calculated, resulting in an overcharge to the applicable customer. In that instance, a Building Inspection employee entered into Permits Plus an incorrect building classification of “commercial” instead of the correct classification of “multi-family.” As a result, the permit fee was incorrectly calculated as \$22,362. Because this error was not detected prior to our audit, that fee was charged to and paid by the customer, resulting in an overpayment of \$7,404 (i.e., the correct fee was \$14,958). Building Inspection management acknowledged the error when we brought it to their attention and refunded the \$7,404 overpayment. We recommend management re-emphasize to staff the importance of ensuring accurate and correct data is entered into Permits Plus.

*In only one instance did our tests show that a fee was incorrectly calculated, resulting in an overcharge to the applicable customer.*

**Report Issue #2 – LUES Permit Fee Adjustments:** As described in the background section of this report, Permits Plus is used to assess permit fees and document the related customer payments. Those permit fees are often calculated by Permits Plus based on attribute information entered into the system either manually by Growth Management staff or through an interface with the online permitting portal. Permits Plus also contains fields allowing entries to adjust permit fees. Permit fee adjustments represent manual changes to the standard fee amounts chargeable to customers based on the established Fee Schedule. All LUES employees that have system capability to enter fees in Permits Plus (primarily Permit Technicians, Planners, and Engineers) also have the capability to adjust fees calculated and/or recorded in Permits Plus. Under current practice, fee adjustments made by staff must be approved by

*For LUES permits, fee adjustments made by staff must be approved by the LUES Administrator.*

*Justification for adjustments to two LUES permit fees was not adequately documented.*

the LUES Administrator (or designee). Additionally, under current practice the amount of the fee adjustment, the reason for the adjustment, and the name of the approving employee is to be documented in the appropriate fields within Permits Plus.

Our audit tests showed that fees calculated by Permits Plus, based on attribute data extracted and entered from customer applications, were accurate and proper, and related fee adjustments were justified. However, justification for adjustments to two LUES permit fees was not adequately documented. The first instance involved the waiver of a fee for an environmental management permit associated with a Florida Department of Transportation (FDOT) interchange landscaping project. In that instance no fee was charged as the FDOT was exempt from City environmental permit fees in accordance with a reciprocal agreement executed by FDOT and the City. Notwithstanding that exemption, the justification was not explained and documented within Permits Plus. In the second instance, an environmental management permit fee in the amount of \$38,822 for a multi-family residential development was adjusted (reduced) by \$4,263. Our review showed that reduction was based on a credit due the developer for a previously paid tree removal permit. Similar to the first instance, explanation (justification) for that adjustment was not, however, recorded within Permits Plus.

Not documenting justifications of fee adjustments within Permit Plus inhibits management and staff’s ability to use that system as a tool to ensure fee adjustments are appropriate and justified. We recommend that justifications for future fee adjustments be documented within Permits Plus (and any subsequent replacement systems). Applicable Growth Management internal policies and procedures should be amended to require such documented justifications.

*Customers may submit applications for building permits in person at the Building Inspection Applicant Services Office and pay for the related fees with cash or checks.*

**Report Issue #3 – Building Inspection Segregation of Duties:**

The background section of this report notes that customers may submit applications for building permits in person at the Building Inspection Applicant Services Office and pay for the related fees

with cash or checks. When cash or checks are accepted as payment for permit fees they are received by Building Inspection staff (Permit Service Center Coordinators) that work in Applicant Services. Those employees record the application attribute information and related payments in Permits Plus. Collected cash and checks are temporarily stored pending transfer to the City's Revenue Office, which is located in the same building. Generally, those collections are accumulated and transferred by Building Inspection staff to the Revenue Office on a daily basis.

*Several controls are in place to ensure cash and checks are properly transferred to and deposited by the Revenue Office.*

Several controls are in place to ensure the cash and checks are properly transferred to and deposited by the Revenue Office. Those controls include the following:

- Cash and checks are stored in a secured and locked safe within Building Inspection pending transfer to the Revenue Office for deposit.
- Any cash payment exceeding \$250 is transferred to the Revenue Office immediately (instead of being retained in Building Inspection and accumulated with other cash collections for transfer the next morning).
- Customers paying with cash are required to pay the exact amount so as to eliminate the need for cash operating funds (i.e., used to generate and provide change to customers).
- A second employee (Permit Service Center Coordinator) is required to verify the fees as determined and collected by each employee.
- A supervisor within Applicant Services reviews and reconciles funds collected by Building Inspection employees (Permit Service Center Coordinators) to the permit information recorded in Permits Plus by those employees, for the purpose of ensuring the correct amounts were charged and collected. The supervisor also reviews any fee adjustments recorded in Permits Plus by the Permit Service Center Coordinators.
- Reconciliations of amounts recorded in the City's accounting system (PeopleSoft Financials) to amounts recorded in Permits

Plus are performed by appropriate Growth Management staff to ensure the Revenue Office properly deposited amounts transferred by Growth Management staff.

*Two supervisors within Applicant Services have the ability to circumvent the process due to their ability to perform certain incompatible functions.*

Notwithstanding those controls, two supervisors within Applicant Services have the ability to circumvent the process due to their ability to perform certain incompatible functions. Specifically, the supervisors have the ability to receive and process customer applications and the related payments (e.g., cash), the ability to record fee adjustments in Permits Plus (i.e., subsequent to customer payment) without review by another employee, and the ability to access cash collections prior to transfer to the Revenue Office. An employee performing these incompatible functions is in the position to divert cash for unauthorized purposes without timely detection.

*Several additional controls or process changes can be implemented to address the risk resulting from the incompatible duties assigned to/performed by the supervisors.*

Several additional controls or process changes can be implemented to address the risk resulting from the incompatible duties assigned to/performed by the supervisors. Those additional controls and process changes include:

- Remove the two supervisors' capability to record fee adjustments within Permit Plus, or
- Require a higher level Growth Management supervisor to review any fee adjustments recorded in Permits Plus by the two supervisors, or
- Require customers paying by cash to remit their payments directly to the Revenue Office (located within the same building) and thereby eliminate cash collections by Building Inspection staff.

*In determining which alternative action to implement, Growth Management should consider the impact on customer service.*

In determining which alternative action to implement, Growth Management should consider the impact on customer service. For example, we acknowledge it may be inconvenient to require customers to submit their applications to Applicant Services, then go to the Revenue Office and pay their building permit fees, and then return to Applicant Services to obtain their permits. Additionally, Growth Management should consider the impact that the planned replacement of Permits Plus with CityWorks will have

on this process. After consideration of those impacts, we recommend an appropriate action be taken to mitigate the risk currently associated with the described incompatible duties.

*We observed the safe was maintained on a desk adjacent to an external window within an office located in Applicant Services visible to the public.*

**Report Issue #4 – Building Inspection Safe:** As noted in the previous issue, staff in the Building Inspection Applicant Services Office use a locked safe to temporarily store cash and checks collected from customers pending transfer of those items to the City Revenue Office for deposit. During our audit, we observed the safe was maintained on a desk adjacent to an external window within an office located in Applicant Services. The public was able to observe the safe through the external window. Placing the safe next to an external window accessible by the public increases the risk of a loss or attempted theft of permit revenues. After bringing this matter to the attention of management, the safe was moved to a more secure location that was not observable by the public. We recommend that Growth Management continue to maintain the safe in the more secure location.

*We noted inconsistencies in how permit completion status was recorded by Growth Management staff in Permits Plus.*

**Report Issue #5 – Data Consistency:** In connection with our selection of permit activity for audit testing, we identified all permits within Permits Plus for which the permitted work had been completed and Growth Management staff had made the final determination that the work was performed in accordance with the Code (i.e., the work passed all inspections). While identifying those permits, we noted inconsistencies in how permit completion status was recorded by Growth Management staff in Permits Plus. Specifically, for LUES permits, the status indicating completion included the terms “issued,” “eligible,” “complete,” and “approved.” The status indicating completion for Building Inspection permits included the terms “closed,” “complete,” and “COFO” (Certificate of Occupancy). There was no uniform procedure or practice within Growth Management for recording permit status in Permits Plus.



*Management has initiated steps to address the standardization of permit status within CityWorks, the new permitting system being implemented as a replacement of Permits Plus.*

The lack of a consistent method and practice for documenting permit status makes it more difficult for Growth Management staff and supervisors to efficiently manage permits and related customer activity (development, construction, alteration, etc.). When we brought this matter to the attention of management, they concurred that uniformity and standardization of permit status nomenclature would be beneficial to Growth Management from a reporting and managerial perspective. Accordingly, management has initiated steps to address the standardization of permit status within CityWorks, the new permitting system to be implemented in replacement of Permits Plus. We recommend that Growth Management continue those efforts and standardize the terminology used to document permit status.

**Report Issue #6 – Fee Schedule Clarity:** The various fees for permits and related activities in regard to LUES, Building Inspection, Administrative Services, and the Fire Department are included in the *Growth Management Department Schedule of Permit and Review Fees* (Fee Schedule). The Fee Schedule is made available to the public through the City website for the purpose of allowing customers to understand the basis on which permit and other fees are charged and to allow them to calculate (or estimate) the costs of a permit. We used the Fee Schedule in our audit tests that were designed to determine whether sampled permit fees were accurately and properly calculated by Growth Management. While the determination and calculation of many permit fees were relatively straightforward and simple, we found during our tests and analyses that other fees were much more complex. Because of some ambiguity and a lack of clarity and detail within the Fee Schedule, the accuracy and correctness of some of the more complex fees could not be validated on audit without further explanation and clarification from Growth Management staff. Because of that ambiguity and lack of clarity and detail within the Fee Schedule, it is likely difficult for Growth Management customers to independently estimate and/or determine likely fees for many projects in a timely manner. The following were

*Because of some ambiguity and a lack of clarity and detail within the Fee Schedule, the accuracy and correctness of some of the more complex fees could not be validated on audit without further explanation and clarification from Growth Management staff.*

identified as example areas within the Fee Schedule for which clarity or additional detail is needed:

- The Fee Schedule contained inadequate descriptions for certain environmental management permit types, which precludes uninformed customers from determining which type is appropriate for their planned activity. These include the Short Form A, Short Form B – Low, and Short Form B – High permit types.
- The Fee Schedule does not clearly document there is no charge for LUES pre-application services in which Growth Management staff provide a high-level review of customers' site plans prior to their permit application. That Growth Management service is intended to help customers ensure their site plans are adequate before they apply for the required permits on a planned project. The pre-application services are tracked by Growth Management in Permits Plus.
- The Fee Schedule does not clearly indicate how LUES permit fees for site plan reviews are calculated for mixed-use properties (residential and commercial).
- The Fee Schedule does not reflect the 3% state surcharge that is applied to building and sub permits in accordance with Florida Statutes.
- The Fee Schedule does not clearly specify which fee components are applicable to certain building permit types. For instance, it is not apparent that some fee components applicable to "new construction" are included under the category labeled "alterations and miscellaneous." Similarly, permit fee components for "gas" work are combined with fee components for "mechanical" work such that it is not clear which components apply only to the gas work and which ones apply only to the mechanical work.
- The Fee Schedule delineates the various plumbing permit types and associated fees. However, the schedule does not clearly

*The Fee Schedule does not clearly indicate how LUES permit fees for site plan reviews are calculated for mixed-use properties.*

*The Fee Schedule does not clearly specify which fee components are applicable to certain building permit types.*

show how related water and sewer inspection fees are charged in connection with those permits.

- In some instances, the Fee Schedule does not include sufficient detail (which is included on other documents such as the permit applications) that is useful in determining fees. For instance, while the permit application for plumbing permits specify that backflow preventers and grease traps are considered “fixtures” for fee calculation purposes, the Fee Schedule does not address those items.
- The Fee Schedule does not provide sufficient explanation as to how certain relatively complex fees are to be calculated. For example, the fee for residential building permits (new construction) is comprised of a combination of fee components on the Fee Schedule (1 and 2 Family Structure component, driveway component, environmental component, etc.). However, the Fee Schedule does not specify those components are to be combined in determining the permit fee for that type construction.
- The Fee Schedule does not contain a separate fee component for multi-family roofing permits. As explained by Growth Management staff, that fee is included within the commercial roofing category on the Fee Schedule.
- Certain fees are based on project valuation. The Fee Schedule provides those fees are to be determined by dividing the valuation by a factor of 1,000. However, when the project valuations are not a whole thousand, the schedule does not specify that the valuations are to be rounded up to the next whole thousand when calculating the fee.

*In some instances, the Fee Schedule does not include sufficient detail that is useful in determining fees.*

*Growth Management was receptive to making the Fee Schedule more user-friendly through clarifications and additional detail.*

In the Fee Schedule’s current form and format, customers (developers, contractors, property owners) may have difficulty in calculating or estimating what their permit fees will be for potential or planned projects, especially the more complex projects. Additionally, the lack of clarity and detail increases the risk that Growth Management staff will not correctly calculate fees, especially in the event of sudden or unexpected turnover of key

staff. In our discussions on this matter, Growth Management was receptive to making the Fee Schedule more user-friendly through clarifications and additional detail. We recommend those revisions be made.

*Inherently, many Growth Management building permit fees are based on estimates or assertions by customers during the permit application process.*

**Report Issue #7 – Validations of Fee Amounts for Building**

**Inspection:** Inherently, many Growth Management building permit fees are based on estimates or assertions by customers during the permit application process. For example, for certain remodels, alterations, or additions the fee is based on the value of the related materials and work. In many instances that value can only be estimated at the time of the permit application. Similarly, for certain projects such as large commercial or multi-family developments, in addition to being based on square footage the permit fees are based on other components, including the number of electrical outlets or plumbing fixtures that will be installed. When applying for the sub permit, the number of those items (electrical outlets and plumbing fixtures) may not be specified in the submitted project plans. In those instances the customer estimates those items on the application. In the described circumstances, the applicable portion of the building permit fees is calculated based on the estimates provided by the customers on their applications.

*Validation of those estimates is accomplished through the subsequent review of supporting documentation and on-site inspections conducted by Growth Management Plans Examiners and Inspectors.*

Validation of those estimates is accomplished through the subsequent review of supporting documentation and on-site inspections conducted by Building Inspection Plans Examiners and Inspectors. In the event those reviews and inspections show significant differences between the estimates included on the applications and the actual work, it is the Examiner's/Inspector's responsibility to report those differences so the customer can be contacted and a revision to the initial permit fee made.

*Growth Management should develop a standardized method for Plans Examiners and Inspectors to document their work performed to validate the accuracy and/or reasonableness of estimates used in calculating permit fees.*

Our review of inspection reports and related records, as well as discussions with Growth Management staff, showed that there is no standard method in which Plans Examiners and Inspectors document their validation of the accuracy of estimates included on the related permit applications. Such documentation would allow Growth Management to demonstrate those validations were performed. Accordingly, we recommend Growth Management develop a standardized method for Plans Examiners and Inspectors to document their work performed to validate the accuracy and/or reasonableness of estimates used in calculating permit fees. That documentation should include, but not be limited to, the methods or procedures used in the validations and the conclusions as to the accuracy and/or reasonableness of the applicable estimates.

***Audit Results,  
Issues, and  
Recommendations:  
Revenue Sufficiency  
(Audit Objective 2)***

Our second audit objective was to determine the extent to which revenues recovered the costs of the Growth Management LUES and Building Inspection functions. In completing this objective, we considered applicable laws, prior rate studies, and management’s stated intent as to the department’s goals in recovery of expenses through permit fees. Each of these areas is discussed in the following sections.

**State Statute**

*Our second audit objective was to determine the extent to which revenues recovered the costs of the Growth Management LUES and Building Inspection functions.*

While no State statutes governing the assessment of LUES permit fees were identified, we found that Section 553.80, Florida Statutes, does impose restrictions regarding permit fees generated through Building Inspection permits. Specifically, that statute provides:

- Fees, fines, and related investment earnings (pertaining to building permits) shall be used solely to fund activities for enforcing the Code provisions relating to Building Inspection.

*While no State statutes governing the assessment of LUES permit fees were identified, we found that Section 553.80, Florida Statutes, does impose restrictions regarding permit fees generated through Building Inspection permits.*

*For governmental operations, rate studies are generally conducted for revenue-generating activities for the purpose of establishing fees (rates) designed to recover a pre-determined portion of costs.*

*The most recent formal rates studies were in 2006 for Building Inspection and 2002 for LUES.*

- Fees are to be established to recover the allowable costs of the Building Inspection function, with any excess collections (revenues in excess of expenses) carried forward to pay expenses of subsequent years (or refunded at the discretion of the local government).

Based on these statutory provisions, Growth Management's intent has been to establish Building Inspection fees that recover 100% of the costs of that function.

## Rate Studies

For governmental operations, rate studies are generally conducted for revenue-generating activities for the purpose of establishing fees (rates) designed to recover a pre-determined portion of costs (e.g., all costs or a percentage of costs). After fees are established based on such rate studies, management should periodically review results of operations to ascertain if the established fees are recovering the intended portion of costs. In instances when those analyses show the fees are recovering either more or less of the intended portion of costs, subsequent rate studies should be conducted so fees can be adjusted as needed.

Regarding Growth Management LUES and Building Inspection operations, the most recent formal rates studies were in 2006 for Building Inspection and 2002 for LUES. Our review of those rate studies showed they were intended to design fees that would recover 100% (all) costs of both operations. Growth Management adopted the recommended fees. Subsequent to the two formal rates studies, Growth Management has added fees for two new permit types, temporarily suspended LUES fees to stimulate growth during the economic downturn that occurred during the Great Recession, and adjusted one LUES fee (abandonment reviews) based on an internally conducted study.

## Management's Intent

*Management's stated intent has been to recover all (100%) costs associated with Building Inspection activities through the related fees.*

*Management indicated there was no formal policy or goal as to cost recovery for LUES.*

Based on the previously noted State statute, management's intent has been to recover all (100%) costs associated with Building Inspection activities through the related fees. However, when applications for Building Inspection permits decreased significantly during the economic downturn that occurred during the Great Recession, the City elected not to adjust Building Inspection fees (i.e., increase them to ensure 100% of costs were recovered) so as to not discourage further growth. To maintain Building Inspection operations during that period, the City loaned the Building Inspection Fund monies from the City's Deficiencies Fund (emergency fund). As economic growth increased subsequent to the Great Recession, those loaned funds were repaid from fees generated from the related increase in Building Inspection activities. (Table 1 reflects the repayment of those loans during the noted fiscal years analyzed.)

In regard to recovery of LUES operation costs, management indicated there was no formal policy or goal as to cost recovery. Although the rates based on the 2002 rate study were designed to recover 100% of those costs, fees charged in recent years have only recovered a portion of the related costs (i.e., fees have only recovered from 33% to 40% of actual costs). This is demonstrated in the following section of this report (see Table 2). However, City management indicated that since the 2002 rate study, the LUES function has evolved and changed to include other activities such as community relations and education. Accordingly, management indicated it is likely no longer appropriate to recover all costs of the current LUES function through fees. Specifically, it may be appropriate to establish fees that only recover the costs of concurrency reviews and permitting.

## Audit's Cost Recovery Analysis

*We analyzed City financial records to identify revenues generated from Building Inspection and LUES activities and related costs.*

To complete the stated audit objective, we analyzed City financial records to identify revenues generated from Growth Management Building Inspection and LUES permits and other fees, and related investment earnings on deposits of those fees. We also analyzed

those records to identify the expenses associated with the Building Inspection and LUES functions. Fiscal years (FYs) 2013 through 2016 were analyzed. Our results are shown in the following paragraphs and tables.

*Our analyses of FYs 2013 through 2016 show that the fees charged and collected by Growth Management for Building Inspection during that four-year period (as well as any related investment earnings on deposited funds) have recovered all costs.*

**Building Inspection** - As described previously within this report, based on governing State statute and management's intent, Building Inspection permit and other fees are designed to recover all costs of the Building Inspection function. Our analyses of FYs 2013 through 2016 show that goal has been met, as the fees charged and collected by Growth Management during that four-year period (as well as any related investment earnings on deposited funds) have recovered all costs; as well as generated revenues sufficient to repay the City's Deficiencies Fund for the funds loaned in previous years when expenses exceeded revenues during the noted economic downturn. As of the end of FY 2016, after paying all expenses and repaying the remaining balance owed to the Deficiencies Fund, the Growth Management Building Inspection Fund had an operating reserve of \$94,352. That reserve is available in future years in the event permit and other fees are not adequate to cover all costs. The details of our analysis are shown in Table 1 below.

**Table 1**  
**Building Inspection Financial Results**

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Revenues</b>	<b>\$3,515,583</b>	<b>\$3,462,704</b>	<b>\$3,428,279</b>	<b>\$3,607,914</b>
Personnel, Operating, and Allocated Expenses	2,738,800	3,011,766	2,980,892	3,331,982
Percent of Costs Recovered by Fees and Related Revenues	128%	114%	115%	108%
Transfers to Deficiencies Fund (Note 1)	776,783	450,938	447,387	181,580
Transfer to Reserves	0	0	0	94,352
<b>Total Expenses and Transfers</b>	<b>\$3,515,583</b>	<b>\$3,462,704</b>	<b>\$3,428,279</b>	<b>\$3,607,914</b>
Note 1: These transfers were made to repay the City Deficiencies Fund for loans made to the Building Inspection Fund during the economic recession. These loans were fully repaid in FY 2016.				



*Most LUES fees were established based on a 2002 rate study.*

**LUES** - As stated previously, most LUES fees were established based on a 2002 rate study that was conducted to develop fees that would recover 100% of costs of the LUES function in existence at the time of the study. However, at least in part because of changes to the LUES function since 2002 (e.g., addition of activities such as community relations and education), the fees are no longer recovering all (100%) of the costs of the current LUES function. As shown in Table 2 that follows, for FYs 2013 through 2016 the LUES permits and other fees (as well as related investment earnings on deposited funds) have only recovered 33% to 40% of the related costs. Management acknowledged that there was no current policy or goal as to how much of the LUES function costs were intended to be recovered through related fees.

**Table 2**  
**LUES Financial Results**

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Revenues	\$752,338	\$902,173	\$1,033,255	\$970,012
Personnel, Operating, and Allocated Expenses	2,287,280	2,443,344	2,588,022	2,438,667
<b>Percent of Costs Recovered (Note:1)</b>	<b>33%</b>	<b>37%</b>	<b>40%</b>	<b>40%</b>
Note: The remaining portion of costs was funded by City General Fund monies appropriated to Growth Management.				

Based on these analyses and circumstances, the following concern (issue) was identified for which we made appropriate recommendations.

**Report Issue #8 – A formal policy on cost recovery should be developed:**

While Building Inspection fees have recovered related costs in accordance with the intent of the applicable State statute, our review and related analyses show that Growth Management has not established a formal policy that establishes the department’s goal and intent as to cost recovery for that function or the LUES function. Establishing such a policy should assist the City in ensuring that fees are fair and appropriate. Accordingly, we recommend that City management establish a formal policy that provides the portion of costs that is intended to be recovered by both Building Inspection and LUES permit and other fees. In establishing that policy, the following factors, in addition to cost recovery, should be considered:

- Fairness to and affordability by customers (developers, contractors, and property owners).
- Establishment of needed and appropriate operating reserves, to include reasonable amounts for those reserves.

After such a policy is developed, we recommend that (internal or external) rate studies be conducted, as needed, to ensure current fees are adequate to meet the policy goals/targets. In the event the rate studies show the current fees are not adequate or efficient,

*City management should establish a formal policy that provides the portion of costs that is intended to be recovered by both Building Services and LUES permit and other fees.*

*Rate studies should be conducted, as needed, to ensure current fees are adequate to meet the policy goals/targets.*

appropriate adjustments should be made to those fees. Furthermore, such studies and analyses should be conducted periodically to ensure the fee structure continues to achieve the policy goals/targets. Lastly, future analyses to determine the extent that costs are recovered by fees should ensure that all appropriate costs are identified and analyzed for each function, including applicable administrative and indirect costs.

## Conclusion

The objectives of this audit were to: 1) determine the adequacy of controls established to provide reasonable assurance that Growth Management fees were properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account, and 2) determine the extent that Growth Management fees recovered the costs of the Growth Management function.

In regard to our first audit objective, based on the results of our audit procedures and testing, we concluded that, overall, permit and other fees were properly assessed, collected, safeguarded, recorded, and deposited during the period covered by our audit. However, we identified seven issues and opportunities for improvement relating to an incorrectly calculated permit fee, documentation justifying permit fee adjustments, an inadequate segregation of duties, the physical location of a safe, the need for consistency of data in Permits Plus, the need for updating and increased clarity of the Growth Management Department Schedule of Permit and Review Fees, and validation of fee amounts. Each of those issues and areas for improvement, as well as our recommendations, are discussed in detail in the body of this report.

*Controls over permit and other fees were generally adequate; however, opportunities for improvement were identified for which audit recommendations were made.*

*A formal policy establishing intent as to cost recovery should be established.*

In regard to our second objective, we determined that Growth Management should establish a formal policy that provides the portion of costs that is intended to be recovered by permit and other fees. In establishing that policy, fairness to and affordability by customers (developers, contractors, and property owners), as well as the need for appropriate operating reserves, should be considered. Upon development of such a policy, rate studies should

be conducted as needed to ensure fees are adequate to meet the policy targets and goals.

We wish to acknowledge and thank the management and staff of the Growth Management Department for their cooperation and assistance during this audit.

*Appointed  
Official's  
Response*

**City Manager:**

We have reviewed the City Auditor's report related to the Audit of Growth Management Revenues and are pleased that to see that, overall, adequate controls are in place to provide reasonable assurance that Growth Management permit and other fees are properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account. We are pleased that the audit test confirmed that, for the most part, these controls were operating properly and effectively. We have taken note of the action plan comments and staff will work on addressing the recommendations. We would like to thank the City Auditor's staff for their time and effort on this audit.

## Appendix A Management Action Plan

Action Steps	Responsible Employee	Target Date
<p><b>A. Objective:</b> <i>Ensure adequate controls are established to provide reasonable assurance that Growth Management fees are properly assessed, collected, safeguarded, recorded, and deposited into the City’s bank account.</i></p>		
1) The importance of ensuring accurate and correct data is entered into Permits Plus (and any subsequent replacement system) will be re-emphasized to applicable Building Inspection staff.	Glenn Dodson	5/2/2017
2) Building Inspection will issue a refund to the customer that was overcharged.	Glenn Dodson	Completed 4/12/2017  <i>(Management completed this action step prior to the issuance of the audit report; completion will be verified as part of the audit follow-up process.)</i>
3) Appropriate justification will be documented within Permits Plus (and any subsequent replacement systems) by LUES staff whenever permit fee adjustments are made.	Steve Palmer	Completed 4/19/2017  <i>(Management completed this action step prior to the issuance of the audit report; completion will be verified as part of the audit follow-up process.)</i>
4) Applicable Growth Management internal policies and procedures will be amended to require documented justification for permit fee adjustments within Permits Plus (and any subsequent replacement system).	Keith Burnsed	9/30/2017

Action Steps	Responsible Employee	Target Date
<p>5) To address the risk resulting from the incompatible duties assigned to/performed by Applicant Services supervisors, Growth Management will implement one of the following additional controls: (1) remove the two supervisors' capability to record fee adjustments within Permit Plus; (2) require a higher level Growth Management supervisor to review any fee adjustments recorded in Permits Plus by the two supervisors; or (3) require customers paying by cash to remit their payments directly to the Revenue Office.</p> <p>In determining which alternative action to implement, Growth Management will consider the impact on customer service and the impact that the planned replacement of Permits Plus with CityWorks will have on this process.</p>	Glenn Dodson	9/30/2017
<p>6) Growth Management will continue to maintain the safe used to store cash and checks collected from Building Inspection customers in the more secure location.</p>	Glenn Dodson	<p>Completed 11/8/2016</p> <p><i>(Management completed this action step prior to the issuance of the audit report; completion will be verified as part of the audit follow-up process.)</i></p>
<p>7) Growth Management will continue efforts to standardize the terminology used to document permit status in CityWorks (the system being implemented to replace Permits Plus).</p>	Keith Burnsed	7/31/2017
<p>8) The Growth Management Fee Schedule will be reviewed and revised to make the calculation of permit fees more transparent and understandable to customers.</p>	Karen Jumonville	9/30/2017
<p>9) Growth Management will develop a standardized method for Plans Examiners and Inspectors to document their work performed to validate the accuracy and/or reasonableness of estimates used in calculating Building Inspection permit fees. Such documentation will include, but not be limited to, the methods or procedures used in the validations and the conclusions as to the accuracy and/or reasonableness of the applicable estimates.</p>	Glenn Dodson	9/30/2017

Action Steps		Responsible Employee	Target Date
<b>B. Objective:</b>	<i>Ensure that fees recover the appropriate portion of costs of the Growth Management function.</i>		
1)	City management will establish a formal policy that provides the portion of costs that is intended to be recovered by both Building Services and LUES permit and other fees.	Karen Jumonville	9/30/2017
2)	After the formal policy is established pursuant to step B1 above, rate studies will be conducted periodically to ensure current fees are adequate to meet the policy goals/targets. In the event the rate studies show the current fees are not adequate or efficient, appropriate adjustments will be made to those fees.	Karen Jumonville	9/30/2017
3)	Future analyses to determine the extent that costs are recovered by fees will ensure that all appropriate costs are identified and analyzed for each function, including applicable administrative and indirect costs.	Karen Jumonville	9/30/2017